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SENATE BILL 5861

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State of Washington

54th Legislature

1995 Regular Session

By Senators Prentice, Heavey, Pelz and C. Anderson

Read first time 02/10/95. Referred to Committee on Financial Institutions & Housing.

1 AN ACT Relating to the Washington credit union share guaranty  
2 association; amending RCW 31.12A.050; adding a new section to chapter  
3 31.12 RCW; repealing RCW 31.12A.005, 31.12A.010, 31.12A.020,  
4 31.12A.030, 31.12A.040, 31.12A.050, 31.12A.060, 31.12A.070, 31.12A.080,  
5 31.12A.090, 31.12A.100, 31.12A.110, 31.12A.120, 31.12A.130, 31.12A.140,  
6 31.12A.900, 31.12A.910, 31.12A.920, 31.12A.930, and 31.12A.940;  
7 providing an effective date; and declaring an emergency.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 **Sec. 1.** RCW 31.12A.050 and 1994 c 92 s 227 are each amended to  
10 read as follows:

11 (1) Funding of the association shall be by transfers to a share  
12 guaranty association contingency reserve as follows:

13 (a) Credit unions approved by the director and ratified by the  
14 board for membership subsequent to those initial members shall  
15 establish a share guaranty association contingency reserve by  
16 transferring from their guaranty fund an amount equal to one-half of  
17 one percent of the total guaranteeable outstanding share and deposit  
18 balances as of the date of membership. When one member credit union is  
19 merged into another member credit union, the continuing credit union

1 shall include in its share guaranty contingency reserve the share  
2 guaranty contingency reserve of the merged credit union. A nonmember  
3 credit union merging with a member credit union must transfer into the  
4 share guaranty contingency reserve of the continuing credit union an  
5 amount equal to one-half of one percent of the total guaranteeable  
6 outstanding share and deposit balances of the nonmember credit union as  
7 of the effective date of the merger, as determined by the director.

8 (b) On the first business day of each year, member credit unions  
9 shall make a transfer of an amount sufficient to adjust the contingency  
10 reserve to a level of one-half of one percent of the guaranteeable  
11 outstanding share and deposit balances as of December 31st of the  
12 previous year. If the member's guaranteeable outstanding share and  
13 deposit balances decrease from the previous year, any excess which may  
14 then appear in the contingency reserve may be transferred to the  
15 guaranty fund.

16 (c) The board may require one additional transfer during the  
17 calendar year of an amount not to exceed one-half of one percent of the  
18 guaranteeable outstanding share and deposit balances as of December  
19 31st of the previous year. Credit unions which have merged during the  
20 year and credit unions which have joined during the year will be  
21 subject to the one additional transfer, even if that required transfer  
22 occurred before ratification of the joining member or the merger of the  
23 two credit unions. The transfer will be based on the guaranteeable  
24 share and deposit balances of those credit unions as of the following  
25 dates:

26 (i) For new members, the balances as of the date of membership;

27 (ii) For members that merge, the sum of the balances as of December  
28 31st of the previous year;

29 (iii) For a nonmember merging with a member, the sum of the  
30 member's balances as of December 31st of the previous year, and of the  
31 nonmember's balances as of the effective date of the merger.

32 (2) Sums specified in subsection (1) of this section may be offset  
33 from the statutory transfer requirement to the guaranty fund and shall  
34 be retained in the credit union share guaranty contingency reserve as  
35 an integral part of its guaranty fund until such time and if necessary  
36 to be drawn for the purposes set forth in this chapter.

37 (3) Members' share guaranty association contingency reserve funds  
38 shall be invested in investments as permitted in the bylaws of the  
39 association.

1 (4) The board, in concurrence with the director, may also suspend  
2 or diminish the transfer in any given period after reaching a normal  
3 operating sufficiency as provided in the bylaws.

4 (5) After the effective date of this section, membership in this  
5 association may be terminated only with the director's approval; or if  
6 notice was given prior to the effective date of this section, upon  
7 approval by a majority of the credit union members responding to such  
8 a proposal and subject further to acceptance by the national credit  
9 union administration of continued share insurance coverage under the  
10 national credit union administration share insurance program; or for  
11 insolvency as set forth under chapter 31.12 RCW. Notice of such  
12 intentions shall be in writing to the association's board of directors  
13 at least twelve months prior to such contemplated action: PROVIDED,  
14 That in the event that the credit union board has voted to recommend to  
15 the membership liquidation, conversion from state to federal credit  
16 union charter, or merger with or conversion to a credit union organized  
17 under the laws of another state, the liquidating, converting, or  
18 merging member will notify the association in writing within seven days  
19 after the credit union board has taken such action. Share guarantee  
20 coverage through the association will terminate with the effective date  
21 of the new charter or completion of the liquidation or merger as  
22 determined by the director.

23 (6) Except for a credit union merging with a member credit union,  
24 any credit union terminating membership in the association shall be  
25 assessed its pro rata share of the difference, if any, between the  
26 association's current liability for contracted guarantees and the  
27 amount from previous assessments currently held for contracted  
28 guarantees by the association. Such difference shall be determined by  
29 the director at the time the membership is terminated. If the amount  
30 of the assessment exceeds the amount of the actual obligation when  
31 finalized, the excess shall be refunded in the same proportion as paid.

32 NEW SECTION. Sec. 2. A new section is added to chapter 31.12 RCW  
33 to read as follows:

34 Credit unions must be members of either:

35 (1) The federal share insurance program under the national credit  
36 union administration; or

1 (2) A similar share deposit insurance provider approved by the  
2 director, that will assure that deposits are protected to the same  
3 extent as the federal deposit insurance system.

4 NEW SECTION. **Sec. 3.** The following acts or parts of acts are each  
5 repealed:

6 (1) RCW 31.12A.005 and 1982 c 67 s 1 & 1975 1st ex.s. c 80 s 2;

7 (2) RCW 31.12A.010 and 1994 c 92 s 225, 1985 c 7 s 98, 1983 c 48 s  
8 1, 1982 c 67 s 2, 1980 c 41 s 11, & 1975 1st ex.s. c 80 s 3;

9 (3) RCW 31.12A.020 and 1975 1st ex.s. c 80 s 4;

10 (4) RCW 31.12A.030 and 1985 c 7 s 99, 1982 c 67 s 3, & 1975 1st  
11 ex.s. c 80 s 5;

12 (5) RCW 31.12A.040 and 1994 c 92 s 226, 1982 c 67 s 4, & 1975 1st  
13 ex.s. c 80 s 6;

14 (6) RCW 31.12A.050 and 1994 c 92 s 227, 1983 c 48 s 2, 1982 c 67 s  
15 5, 1980 c 41 s 12, & 1975 1st ex.s. c 80 s 7;

16 (7) RCW 31.12A.060 and 1982 c 67 s 6 & 1975 1st ex.s. c 80 s 8;

17 (8) RCW 31.12A.070 and 1994 c 92 s 228 & 1975 1st ex.s. c 80 s 9;

18 (9) RCW 31.12A.080 and 1994 c 92 s 229 & 1975 1st ex.s. c 80 s 10;

19 (10) RCW 31.12A.090 and 1994 c 92 s 230, 1982 c 67 s 7, & 1975 1st  
20 ex.s. c 80 s 11;

21 (11) RCW 31.12A.100 and 1994 c 92 s 231 & 1975 1st ex.s. c 80 s 12;

22 (12) RCW 31.12A.110 and 1975 1st ex.s. c 80 s 13;

23 (13) RCW 31.12A.120 and 1994 c 92 s 232 & 1975 1st ex.s. c 80 s 14;

24 (14) RCW 31.12A.130 and 1975 1st ex.s. c 80 s 15;

25 (15) RCW 31.12A.140 and 1994 c 92 s 233 & 1975 1st ex.s. c 80 s 16;

26 (16) RCW 31.12A.900 and 1975 1st ex.s. c 80 s 17;

27 (17) RCW 31.12A.910 and 1975 1st ex.s. c 80 s 18;

28 (18) RCW 31.12A.920 and 1975 1st ex.s. c 80 s 19;

29 (19) RCW 31.12A.930 and 1975 1st ex.s. c 80 s 21; and

30 (20) RCW 31.12A.940 and 1975 1st ex.s. c 80 s 20.

31 NEW SECTION. **Sec. 4.** (1) Section 1 of this act is necessary for  
32 the immediate preservation of the public peace, health, or safety, or  
33 support of the state government and its existing public institutions,  
34 and shall take effect immediately.

35 (2) Sections 2 and 3 of this act shall take effect July 1, 1997.

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